

NEWS RELEASE

FOR RELEASE - January 12, 2012

Burkhardt & Dawson, CPAs today released a report on the agreed-upon procedures with respect to the payroll transaction testing for the Cherokee County Solid Waste Commission for the period January 1, 2003 to October 31, 2011. The Commission is located in Cherokee County, Iowa. The agreed-upon procedures were requested by the Commission board members as a result of concerns identified with disbursements for payroll issued to the former landfill accountant, Julie Mugge, former landfill manager, Don Pitts and former office employee, Jennie Mier. Ms. Mugge and Ms. Mier are twin sisters. Ms. Mugge had been employed with the Commission for approximately 15 years and Mr. Pitts had been employed with the Commission for approximately 12 years. Julie Mugge and Don Pitts were terminated from their positions in October 2011.

Burkhardt & Dawson, CPAs reported the agreed-upon procedures performed identified \$37,180.49 of unapproved, improper or unsupported payroll checks, disbursements and other matters. They consisted of:

Julie Mugge -

Unapproved Payroll Checks Including Payroll

Tax Expenses \$23,199.31

Julie Mugge -

Questionable Expenses From Hy-Vee 169.71

Don Pitts -

Unapproved Payroll Checks Including Payroll

Tax Expenses 7,016.71

Don Pitts -

Unapproved Payroll Checks While Claiming

Workers Compensation Benefits 3,436.69

Jennie Mier -

Improper and Unsupported Payroll Checks

Including Payroll Tax Expenses 2,764.47

Jennie Mier -

AFLAC Insurance Premiums Paid by Landfill  
After Employment Ceased

593.60

\$37,180.49

LESS - Voluntary Repayment by Don Pitts on  
November 4, 2011

(4,644.10)

\$32,536.39

The Commission's policy required dual signatures on all payroll checks and disbursements. The unapproved and improper payroll checks for Don Pitts and Julie Mugge were signed by Mr. Pitts and Ms. Mugge.

The report also includes recommendations to the Commission to strengthen the Commission's internal controls, such as improvements to segregation of duties, payroll supporting documentation and recordkeeping procedures, proper employee insurance premium payments, and the employee handbook.

Copies of the report have been filed with the Cherokee County Attorney's Office. A copy of the report is available for review in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

REPORT ON AGREED-UPON PROCEDURES  
OF  
CHEROKEE COUNTY SOLID WASTE COMMISSION  
  
FOR THE PERIOD  
JANUARY 1, 2003 THROUGH OCTOBER 31, 2011

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### INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

#### Cherokee County Solid Waste Commission Board

We have performed the procedures enumerated below, which were agreed to by Cherokee County Solid Waste Commission Board, solely to assist you with respect to the payroll transactions testing of Cherokee County Solid Waste Commission for the period January 1, 2003 to October 31, 2011. Cherokee County Solid Waste Commission's management is responsible for the Commission's payroll. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings for the payroll transactions testing of Jennie Mier are as follows:

1. Inspect time cards for Jennie Mier for the period July 1, 2004 to June 30, 2011 for evidence of hours worked and compare to hours paid on payroll registers. See Appendix A.
2. Prepare a schedule of regular, overtime and PTO hours and calculate the gross check using the board-approved pay rate for Jennie Mier. See Appendix B.

Our procedures and findings for the payroll transactions testing of Don Pitts and Julie Mugge are as follows:

3. Inspect payroll registers for Don Pitts and Julie Mugge for evidence of unapproved payroll checks from January 1, 2003 to October 31, 2011. See Appendix C.
4. Obtain physical copies of all unapproved payroll checks from the bank statements for Don Pitts and Julie Mugge and inspect those checks for required dual signatures from January 1, 2003 to October 31, 2011. See Appendix D.

5. Summarize actual payroll checks issued and compare to the board authorized salaries for Don Pitts and Julie Mugge from January 1, 2003 to October 31, 2011. See Appendix E.

Additional matters came to our attention while performing the other procedures. See Appendix F for these matters.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the payroll transaction testing. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in Appendix A through G of this report.

Copies of this report have been filed with the Cherokee County Attorney's Office.

This report is intended solely for the information and use of Cherokee County Solid Waste Commission Board and is not intended to be and should not be used by anyone other than those specified parties.

BURKHARDT & DAWSON, CPA's

  
Certified Public Accountants

Cherokee, Iowa  
December 12, 2011

CHEROKEE COUNTY SOLID WASTE COMMISSION  
BACKGROUND INFORMATION AND  
SUMMARY OF AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JANUARY 1, 2003 THROUGH OCTOBER 31, 2011

The Cherokee County Solid Waste Commission owns and operates a sanitary solid waste landfill site, a separation center and a pellet fuel recycling facility in Cherokee County, Iowa. The Commission is composed of one representative from each of the eight member cities and one representative from Cherokee County. Members of the Commission are the County of Cherokee and the Cities of Cherokee, Aurelia, Quimby, Washta, Marcus, Cleghorn, Meriden, and Larrabee. The Commission employs a full-time landfill manager and a full-time landfill accountant. According to the payroll records Julie Mugge was hired as the landfill accountant on October 2, 1996 and Don Pitts was hired as the landfill manager on October 1, 1999. As the landfill accountant, Ms. Mugge was responsible for:

1. Cash - reconciliation of bank accounts,
2. Receipts - collection, posting to the accounting records, deposit preparation and making deposits,
3. Disbursements - authorizing and making purchases, presenting invoices to the Commission, check preparation, check signing, distribution and posting to the accounting records,
4. Payroll - calculation, check preparation, check signing, distribution and posting to the accounting records and
5. Reporting - preparation of financial reports for the Commission.

The Commission's policy requires all checks to have dual signatures. The manager, Don Pitts, was an authorized co-signer for checks. For each bi-weekly payroll, Ms. Mugge would prepare and print the payroll checks, sign the checks, and present the checks to Mr. Pitts for his dual signature. The checks were distributed by Ms. Mugge and Mr. Pitts.

Mr. Pitts stated he did not sign blank checks.

According to the Commission, Ms. Mugge did not include a detailed list of payroll checks with the monthly board packet she prepared.

The Commission hired Burkhardt & Dawson, CPAs to perform their fiscal year end June 30, 2011 audit. The audit fieldwork was performed by the CPA firm in October 2011. While performing audit procedures the CPA firm noted additional checks written to Ms. Mugge. The additional checks were traced to payroll records and it was discovered Ms. Mugge was paying herself weekly instead of bi-weekly. All other employees were being paid bi-weekly as required by the Commission's payroll policy.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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The CPA firm decided to perform additional testing on Ms. Mugge's payroll for the fiscal year ending June 30, 2011 and discovered Ms. Mugge had written additional unauthorized payroll checks to herself in excess of her authorized salary. These checks were also signed by the landfill manager, Mr. Pitts.

Audit testing procedures were then expanded to include additional testing for Mr. Pitts's payroll for the fiscal year ending June 30, 2011. Mr. Pitts had also received unauthorized payroll checks signed by Ms. Mugge and himself.

The Commission's employee handbook (revised April 1999) has a written policy regarding personal time off (PTO) which states the following:

"All accrued PTO hours an employee has in the bank of hours will be paid to the employee upon termination or quitting.

Unused PTO hours may be carried over from year to year with a cap of 288 PTO hours up to three (3) years of service and 348 PTO hours up to ten (10) years of service. Any PTO hours over respective cap will be lost."

The policy does not contain an option of being paid for unused PTO for current employed individuals.

Burkhardt & Dawson, CPAs immediately notified the Cherokee County Solid Waste Commission's board and their attorney of the unauthorized payroll checks. The State Auditor's office was also notified immediately as required.

The Commission voted to terminate Ms. Mugge and Mr. Pitts as employees in October of 2011.

The Commission also voted to hire Burkhardt & Dawson, CPAs to perform agreed-upon procedures to test additional years of payroll for Don Pitts, Julie Mugge and Jennie Mier. Ms. Mier is the twin sister of Julie Mugge and was employed as an office assistant in previous years.

Mr. Pitts voluntarily made partial restitution to the Commission of \$4,644.10 on November 4, 2011, for his unauthorized payroll checks and related payroll taxes for the FYE 6-30-11 and the unauthorized payroll checks received while collecting workers compensation insurance benefits.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
BACKGROUND INFORMATION AND  
SUMMARY OF AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JANUARY 1, 2003 THROUGH OCTOBER 31, 2011

Detailed Findings

The results of the five agreed upon procedures and other matters are presented in Appendix A to G.

A summary of the procedures are as follows:

Summary of Agreed-Upon Procedures  
Salaried Employees - Julie Mugge and Don Pitts  
Hourly Employee - Jennie Mier

Julie Mugge - Unapproved Payroll Checks Including Payroll Tax Expenses	\$23,199.31	Procedure 3 - Appendix C
Julie Mugge - Questionable Expenses From Hy-Vee	169.71	Additional Findings - Appendix F-2
Don Pitts - Unapproved Payroll Checks Including Payroll Tax Expenses	7,016.71	Procedure 3 - Appendix C
Don Pitts - Unapproved Payroll Checks While Claiming Workers Compensation Benefits	3,436.69	Additional Findings - Appendix F-1
Jennie Mier - Improper and Unsupported Payroll Checks Including Payroll Tax Expenses	2,764.47	Procedure 2 - Appendix B
Jennie Mier - AFLAC Insurance Premiums Paid by Landfill After Employment Ceased.	<u>593.60</u>	Additional Findings - Appendix F
	\$37,180.49	
LESS - Repayment by Don Pitts on November 4, 2011	<u>(4,644.10)</u>	
	<u>\$32,536.39</u>	

CHEROKEE COUNTY SOLID WASTE COMMISSION  
BACKGROUND INFORMATION AND  
SUMMARY OF AGREED-UPON PROCEDURES  
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Detailed Findings

In addition to the \$37,180.49, the following issues have been unnecessary expenses for the Commission:

The Commission incurred additional expenses to pay for the agreed-upon procedures performed by their CPA firm and also legal fees for their attorney.

As presented on Appendix A, Procedure 1, the overpayment to Jennie Mier, based on using PTO not authorized by the employee handbook, has not been calculated. Adequate records were not maintained by the landfill's accountant, Julie Mugge.

As presented on Appendix F, Additional Procedures, the Commission's 2012 Iowa unemployment rate (SUTA) has increased by 1.8% due to unemployment benefits paid to Jennie Mier. Based on an estimated annual payroll subject to SUTA this will cost the landfill an estimated \$11,000 for 2012. Their SUTA rate may be affected for the next several years by this claim.

Jennie Mier was not fired or laid off according to landfill officials. Don Pitts and Julie Mugge were responsible to protest the unemployment claim filed by Ms. Mier, but they did not protest it.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JANUARY 1, 2003 THROUGH OCTOBER 31, 2011

PROCEDURE 1:

Inspect time cards for Jennie Mier for the period July 1, 2004 to June 30, 2011 for evidence of hours worked and compare to hours paid on payroll registers. Ms. Mier is Julie Mugge's twin sister and was employed as an office assistant. She left employment on July 28, 2010 according to her employee file.

FINDINGS:

- Jennie Mier was paid for the following PTO hours:

FISCAL YEAR	PER TIME CARDS PAID PTO HOURS	PER TIME CARDS PAID REGULAR AND O.T. HOURS
June 30, 2005	183.23	2,030.84
June 30, 2006	240.63	1,614.81
June 30, 2007	14.16	694.71
June 30, 2008	00.00	1,404.56
June 30, 2009	30.80	1,469.04
June 30, 2010	153.76	1,805.81
June 30, 2011	00.00	58.36

- According to the employee handbook, part-time employees may work up to a maximum of 32 hours per week. The only benefits that apply to part-time employment are IPERS, Social Security and worker's compensation coverage. Jennie Mier was working more than 32 hours a week at various times between July 1, 2004 and June 30, 2011. She was paid for PTO on multiple pay periods but appropriate documentation was not available in the employee file to determine when she was considered full-time versus part-time.

IMPROPER

- A part-time employee works 1,664 hours or less annually (based on 32 hours per week times 52 weeks). Based on the time cards presented above, Jennie Mier was not a full-time employee eligible for PTO in fiscal years ended June 30, 2006, June 30, 2007, June 30, 2008, June 30, 2009 and June 30, 2011. The overpayment to Jennie Mier, based on using PTO not authorized by the employee handbook, has not been calculated as adequate records were not maintained by the landfill's accountant, Julie Mugge.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
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FINDINGS - Continued:

FYE June 30, 2007

UNSUPPORTED

- There was no time card for Jennie Mier on September 8, 2006, but she was paid for 49 regular hours. There was no time card on September 22, 2006, but she was paid for 38.5 regular hours. There was no time card on October 20, 2006, but she was paid for 20 regular hours.

FYE June 30, 2008

UNSUPPORTED

- There were no time cards available for any employees on June 13, 2008, but Jennie Mier was paid for 61.26 regular hours.

FYE June 30, 2009

IMPROPER

- Jennie Mier's paycheck on December 24, 2008 included 6 hours for Monday even though her time card noted "Gone on Monday".

FYE June 30, 2011

IMPROPER

- Jennie Mier's paycheck on September 10, 2010 included 19 hours that were handwritten on the time card for days after July 28, 2010, which was her last day according to the employee's file. The Commission's policy requires employees to punch their time cards using the time clock.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
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PROCEDURE 2:

Prepare a schedule of regular, overtime and PTO hours and calculate the gross check using the board-approved pay rate for Jennie Mier.

FINDINGS:

FYE June 30, 2005

IMPROPER

- Jennie Mier was paid an extra \$30.47 in gross wages on April 22, 2005.

FYE June 30, 2006

IMPROPER

- Jennie Mier was underpaid \$45.99 in gross wages on February 24, 2006.

FYE June 30, 2007

UNSUPPORTED

- Jennie Mier was paid \$588.00 in gross wages on September 8, 2006, \$462.00 in gross wages on September 22, 2006, and \$240.00 in gross wages on October 20, 2006, but there were no time cards to support these checks.

IMPROPER

- Jennie Mier was paid an extra \$123.12 in gross wages on April 20, 2007.

FYE June 30, 2008

UNSUPPORTED

- Jennie Mier may have been paid an extra \$765.75 in gross wages on June 13, 2008; there were no time cards for any employees to support this payroll.

FYE June 30, 2009

IMPROPER

- Jennie Mier was paid an extra \$78.60 in gross wages on December 24, 2008 due to an extra 6 hours manually noted on her time card, even though on her time card it was noted "Gone on Monday".

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
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PROCEDURE 2 - Continued:

FINDINGS - Continued:

FYE June 30, 2010

IMPROPER

- Jennie Mier was paid an extra \$40.35 in gross wages on July 24, 2009 and an extra \$10.48 in gross wages on April 2, 2010.

IMPROPER

- Jennie Mier was underpaid \$20.17 in gross wages on September 4, 2009.

FYE June 30, 2011

IMPROPER

- Jennie Mier was underpaid \$95.51 in gross wages on July 9, 2010. She was paid an extra \$256.32 in gross wages on September 10, 2010 due to an extra 19 hours manually noted on her time card.

Summary of Payroll Tax Expenses

- The employer's social security expense of \$186.15 and the employer's IPERS of \$144.90 were paid in excess due to the above extra wages paid.

A summary of Procedure 2 is presented in the following spreadsheet:

Procedure 2 - Summary - Jennie Mier

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Appendix B

Cherokee County Solid Waste Commission  
Summary of Improper and Unsupported Payroll  
Checks Issue  
Hourly Employee - Jennie Mier  
7/1/04 to 6/30/11

	Improper Payroll Checks	Unsupported Payroll Checks	Total of Improper or Unsupported Payroll Checks	7.65% Employers Social Security Expense	Employers IPERS Expense	Total
6/30/2011	160.81	-	160.81	12.30	11.18	184.29
6/30/2010	30.66	-	30.66	2.35	2.04	35.05
6/30/2009	78.60	-	78.60	6.01	4.99	89.60
6/30/2008	-	765.75	765.75	58.58	46.33	870.66
6/30/2007	123.12	1,290.00	1,413.12	108.10	81.25	1,602.47
6/30/2006	(45.99)	-	(45.99)	(3.52)	(2.64)	(52.15)
6/30/2005	30.47	-	30.47	2.33	1.75	34.55
<b>TOTAL</b>	<b>377.67</b>	<b>2,055.75</b>	<b>2,433.42</b>	<b>186.15</b>	<b>144.90</b>	<b>2,764.47</b>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
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PROCEDURE 3:

Inspect payroll registers for Don Pitts and Julie Mugge for evidence of unapproved payroll checks from January 1, 2003 to October 31, 2011.

FINDINGS:

Don Pitts:

Calendar Year Ending December 31, 2005

IMPROPER

- Don Pitts was paid an extra \$1584.62 in gross wages on January 7, 2005.

IMPROPER

- Don Pitts was paid an extra \$1730.77 in gross wages since he was paid his first check for 2005 on January 3, 2005 and his last check for 2005 on December 30, 2005. This resulted in 27 bi-weekly payroll checks instead of 26 bi-weekly payroll checks. Based on how the bi-weekly pay periods fall within a calendar year, it may be possible to have 27 authorized pay periods within a calendar year. However, when this occurs, the preceding or succeeding year will have only 25 authorized bi-weekly payroll checks. In both 2004 and 2006, Don Pitts received 26 authorized payroll checks. As a result, the additional check received in 2005 was not authorized.

Calendar Year Ending December 31, 2006

IMPROPER

- Don Pitts was paid an extra \$903.84 in gross wages on March 10, 2006 and an extra \$903.60 in gross wages on September 15, 2006.

Fiscal Year Ending June 30, 2010

IMPROPER

- Don Pitts was paid an extra \$1 per pay period on March 5, 2010, March 19, 2010, April 2, 2010 and April 16, 2010 for a total of \$4.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
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FINDINGS - Continued:

Fiscal Year Ending June 30, 2011

IMPROPER

- Don Pitts was paid an extra \$1049.60 in gross wages September 24, 2010.

Summary of Payroll Tax Expenses

- The Employer's social security expense of \$472.50 and the employer's IPERS of \$367.78 were paid in excess due to the above extra wages paid.

Julie Mugge:

Calendar Year Ending December 31, 2005

IMPROPER

- Julie Mugge was paid an extra \$1384.62 in gross wages on April 22, 2005 and an extra \$1384.62 in gross wages on September 13, 2005.

IMPROPER

- Julie Mugge was paid an extra \$1384.62 in gross wages since she was paid her first check on January 3, 2005 and her last check on December 30, 2005, resulting in 27 bi-weekly payroll checks instead of 26 bi-weekly payroll checks. Based on how the bi-weekly pay periods fall within a calendar year, it may be possible to have 27 authorized pay periods within a calendar year. However, when this occurs, the preceding or succeeding year will have only 25 authorized bi-weekly payroll checks. In both 2004 and 2006, Julie Mugge received 26 authorized payroll checks. As a result, the additional check received in 2005 was not authorized.

Calendar Year Ending December 31, 2006

IMPROPER

- Julie Mugge was paid an extra \$723.08 in gross wages on December 22, 2006 and an extra \$723.07 in gross wages on March 10, 2006.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JANUARY 1, 2003 THROUGH OCTOBER 31, 2011

FINDINGS - Continued:

From January 1, 2007 to June 30, 2007

IMPROPER

- Julie Mugge was paid an extra \$1538.46 in gross wages on April 25, 2007.

Fiscal Year Ending June 30, 2008

IMPROPER

- Julie Mugge was paid an extra \$1538.46 in gross wages on July 6, 2007 and an extra \$1,538.46 in gross wages on September 14, 2007.

Fiscal Year Ending June 30, 2009

IMPROPER

- Julie Mugge was paid an extra \$3425.06 in gross wages on May 28, 2009.

Fiscal Year Ending June 30, 2011

IMPROPER

- Julie Mugge was paid an extra \$4175.39 in gross wages. This included \$840.00 in gross wages on January 4, 2011, \$1680.00 in gross wages on February 4, 2011, \$1680.00 in gross wages on May 23, 2011 and other differences of (\$24.61).

From July 1, 2011 to October 31, 2011

IMPROPER

- Julie Mugge was paid an extra total of \$2520.00 in gross wages from various payroll checks dated: August 1, 2011, August 8, 2011, August 22, 2011 and August 26, 2011.

Summary of Payroll Tax Expenses

- The employer's social security expense of \$1555.70 and the employer's IPERS of \$1307.66 were paid in excess due to the above extra wages paid.

**Procedure 3 - Summary - Julie Mugge**

**Cherokee County Solid Waste Commission  
Summary of Unapproved Payroll Checks Issue  
Salaried Employees - Julie Mugge  
1/1/03 to 10/31/11**

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Appendix C**

	Improper Payroll Checks	7.65% Employers Social Security Expense	Employers IPERS Expense	Total
Wages from 7/1/11 to 10/31/11	2,520.00	192.78	203.36	2,916.14
6/30/2011	4,175.39	319.42	290.19	4,785.00
6/30/2010	0.11	0.01	0.01	0.13
6/30/2009	3,425.06	262.02	217.49	3,904.57
6/30/2008	3,076.92	235.38	186.15	3,498.45
Wages from 1/1/07 to 6/30/2007	1,538.46	117.69	88.46	1,744.61
Calendar Years Ending:				
12/31/2006	1,446.15	110.63	83.15	1,639.93
12/31/2005	4,153.86	317.77	238.85	4,710.48
12/31/2004	-	-	-	-
12/31/2003	-	-	-	-
<b>TOTAL</b>	<b>20,335.95</b>	<b>1,555.70</b>	<b>1,307.66</b>	<b>23,199.31</b>

**Procedure 3 - Summary - Don Pitts**

**Cherokee County Solid Waste Commission  
Summary of Unapproved Payroll Checks Issue  
Salaried Employees - Don Pitts  
1/1/03 to 10/31/11**

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Appendix C**

	Improper Payroll Checks	7.65% Employers Social Security Expense	Employers IPERS Expense	Total
Wages from 7/1/11 to 10/31/11	-	-	-	-
6/30/2011	1,049.60	80.29	72.95	1,202.84
6/30/2010	4.00	0.31	0.27	4.58
6/30/2009	-	-	-	-
6/30/2008	-	-	-	-
Wages from 1/1/07 to 6/30/2007	-	-	-	-
Calendar Years Ending:				
12/31/2006	1,807.44	138.27	103.93	2,049.64
12/31/2005	3,315.39	253.63	190.63	3,759.65
12/31/2004	-	-	-	-
12/31/2003	-	-	-	-
<b>TOTAL</b>	<b>6,176.43</b>	<b>472.50</b>	<b>367.78</b>	<b>7,016.71</b>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
AGREED-UPON PROCEDURES  
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PROCEDURE 4:

Obtain physical copies of all unapproved payroll checks (listed in procedure 3) from the bank statements for Don Pitts and Julie Mugge and inspect those checks for the required dual signatures from January 1, 2003 to October 31, 2011.

FINDINGS:

- No exceptions related to the dual signatures were found as a result of applying the procedure. All of the unapproved payroll checks for Don Pitts and Julie Mugge included dual signatures by Don Pitts and Julie Mugge.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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PROCEDURE 5:

Summarize actual payroll checks issued and compare to the board authorized salaries for Don Pitts and Julie Mugge from January 1, 2003 to October 31, 2011.

FINDINGS:

A summary of Procedure 5 is presented in the following spreadsheets.

**Procedure 5 - Summary - Don Pitts**

**Cherokee County Solid Waste Commission  
Summary Comparison of Authorized Salary to Actual  
Payroll Checks  
Salaried Employees - Don Pitts  
1/1/03 to 10/31/11**

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Appendix E**

	<u>Board Authorized Salaries</u>	<u>Actual Payroll Checks Total</u>	<u>Calculated Unapproved Payroll Checks</u>
Wages from 7/1/11 to 10/31/11 - noted no extra payroll checks during this period			-
6/30/2011 includes Christmas bonus	54,693.03	55,742.63	1,049.60
6/30/2010 includes Christmas bonus	53,227.15	53,231.11	3.96
6/30/2009	53,000.00	52,999.96	(0.04)
6/30/2008	51,500.00	51,499.89	(0.11)
Wages from 1/1/07 to 6/30/2007	25,000.00	24,999.91	(0.09)
<b>Calendar Years Ending:</b>			
12/31/2006	47,000.00	48,807.38	1,807.38
12/31/2005	45,000.00	48,315.41	3,315.41
12/31/2004	41,200.00	41,200.12	0.12
12/31/2003	40,000.00	39,999.96	(0.04)
<b>TOTAL</b>			<u><b>6,176.19</b></u>

The difference of less than \$1 per year are based on the authorized salary amount not being equally divisible by the 26 bi-weekly payroll periods.

**Procedure 5 - Summary - Julie Mugge**

**Cherokee County Solid Waste Commission  
Summary Comparison of Authorized Salary to  
Actual Payroll Checks  
Salaried Employees - Julie Mugge  
1/1/03 to 10/31/11**

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Appendix E**

	<u>Board Authorized Salaries</u>	<u>Actual Payroll Checks Total</u>	<u>Calculated Unapproved Payroll Checks</u>
Wages from 7/1/11 to 10/31/11	15,288.00	17,808.00	2,520.00
6/30/2011 includes Christmas bonus	43,793.83	47,969.22	4,175.39
6/30/2010 includes Christmas bonus	42,627.15	42,627.28	0.13
6/30/2009	42,400.00	45,825.08	3,425.08
6/30/2008	41,200.00	44,276.91	3,076.91
Wages from 1/1/07 to 6/30/2007	20,000.00	21,538.44	1,538.44
<b>Calendar Years Ending:</b>			
12/31/2006	37,600.00	39,046.05	1,446.05
12/31/2005	36,000.00	40,153.98	4,153.98
12/31/2004	32,960.00	32,959.64	(0.36)
12/31/2003	32,000.00	31,999.76	<u>(0.24)</u>
<b>TOTAL</b>			<u><b>20,335.38</b></u>

The difference of less than \$1 per year are based on the authorized salary amount not being equally divisible by the 26 bi-weekly payroll periods.

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ADDITIONAL PROCEDURES:

Other matters came to our attention while performing the agreed-upon procedures.

ADDITIONAL FINDINGS:

- Jennie Mier was no longer an employee as of July 2010, according to her employee file. The landfill continued to pay AFLAC premiums from August 1, 2010 to November 1, 2011 for a total of \$593.60 for Jennie Mier. The AFLAC premium checks were written by Julie Mugge, the Landfill's accountant. Jennie Mier had knowledge of the AFLAC coverage since she filed claims on July 7, 2010, July 26, 2010 and May 5, 2011, per a phone call to AFLAC.
- Jennie Mier filed for unemployment benefits on July 4, 2010. Wages were paid to her on July 9, 2010 and September 10, 2010 for hours recorded after July 4, 2010. Jennie's final date of employment was July 28, 2010, according to her employee file. She had not been fired or laid off according to landfill officials. A notice of claim for unemployment insurance for Ms. Mier dated July 8, 2010, was found in the landfill office's records. Julie Mugge and Don Pitts opened mail as part of their job duties. Ms. Mugge and Mr. Pitts were responsible for protesting claims for unemployment benefits for the Commission. The employer statement of protest was blank on the notice claim form.
- According to notices received by the landfill from Iowa Workforce Development, Jennie Mier received unemployment benefits for the following:

<u>QUARTER</u> <u>ENDING</u>	<u>TOTAL</u>
3-31-11	\$ 650.00
12-31-10	4,225.00
9-30-10	<u>3,575.00</u>
	<u>\$8,450.00</u>

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ADDITIONAL FINDINGS - Continued:

- The landfill's 2011 unemployment rate of 0.1% increased to 2.0% for 2012 after these claims. Their rate would have been 0.2% for a governmental entity without these claims. Their rate may be effected for the next several years by this claim. This will continue to be an unnecessary expense for the landfill. Based on an estimated annual payroll subject to Iowa unemployment of \$614,000 multiplied by the increase in the unemployment rate of 1.8% (2.0% - .2%) the estimated annual cost for 2012 is \$11,000. The taxable wages of \$614,000 are based on the SUTA taxable wages for fiscal year ended June 30, 2011.
- During the calendar year 2011, Don Pitts claimed and received worker's compensation for injuries, but he continued to receive his full salary during his time away from work resulting in an extra \$3436.69 in gross wages, employer's social security expense and employer's IPERS. See Appendix F-1 for spreadsheet.
- Between June 29, 2010 and April 14, 2011, Julie Mugge charged frappucino coffees at Hy-Vee totaling \$69.71 and a \$100 Hy-Vee gift card for Jennie Mier to the landfill. Jennie Mier is Julie Mugge's twin sister who was no longer employed by the Landfill when the gift card was purchased. See Appendix F-2 for a spreadsheet.

**7-1-10 to 9-30-11**

Asked Ken Slater, Chairperson, and also the insurance agent to check if any funds were paid to Don Pitts for missed work from the insurance company. The checks issued are as follows:

The IPERS rate for FYE 6-30-11 was used in the calculation as it was not determined specifically which fiscal year the excess funds were received.

**Cherokee County Solid Waste Commission**  
**Questionable Expenses from HyVee**  
**Fiscal Year Ending 6/30/2011**

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**Appendix F-2**

Date Paid	Purchase Date	Description	Amount
7/19/2010	6/29/2010	Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
9/13/2010	8/18/2010	Frappuccino Mocha	5.99
		Frappuccino Mocha	5.99
		Frappuccino Mocha	5.99
10/15/2010	9/16/2010	Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
11/12/2010	10/24/2010	Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
1/14/2011	12/23/2010	Frappuccino Coffee	1.99
	12/23/2010	Gift Card	100.00
2/21/2011	1/13/2011	Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
5/13/2011	4/14/2011	Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
		Frappuccino Coffee	1.99
Total			169.71

Each questionable individual item purchased is listed separately.  
Multiple questionable items were purchased on the same day.

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RECOMMENDED CONTROL PROCEDURES:

As part of our agreed-upon procedures, we reviewed the specific procedures used by the Cherokee County Solid Waste Commission to process payroll checks for Jennie Mier, Julie Mugge and Don Pitts.

An important aspect of internal control is to establish procedures to provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Cherokee County Solid Waste Commission's internal controls.

- A. Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The former Commission Accountant, Julie Mugge, had control over each of the following areas for the Commission:
1. Cash - reconciliation of bank accounts.
  2. Receipts - collection, posting to the accounting records, deposit preparation and making deposits
  3. Disbursements - authorizing and making purchases, presenting invoices to the Commission, check preparation, check signing, distribution and posting to the accounting records,
  4. Payroll - calculation, check preparation, check signing, distribution and posting to the accounting records
  5. Reporting - preparation of financial reports, for the Commission, and
  6. Dual signatures were required on all checks written.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the duties within each function listed above should be segregated as much as possible. In addition, the Board should review financial records, reconciliations and supporting documentation for accounting

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RECOMMENDED CONTROL PROCEDURES - Continued:

A. Segregation of Duties - Continued:

Also, procedures should be implemented to ensure the proper approval of transactions has been granted by the Board. The Commission should continue requiring dual signatures on all disbursements made.

- B. Payroll Supporting Documentation - During our review of the Commission's payroll transactions, we were unable to locate supporting documentation for some payroll disbursements, such as time cards, PTO accrual and use, employee's full-time or part-time status and approved wages for each individual.

Recommendation - Supporting documentation, such as time cards, PTO accrual and use, employee's status and approved wages for each employee should be maintained for each employee. Every employee file should be updated periodically. Salary employees should also complete time cards. PTO accounting records should be accurately maintained for each employee.

- C. Insurance - We noticed the AFLAC insurance premiums were being paid on a former employee for many months after her last day of employment.

Recommendation - The Board should establish procedures so only current employees are on insurance invoices.

- D. Employee Handbook - During our review of the payroll, we noted the Commission was paying the full cost of health insurance for the Manager and Commission Accountant. Through discussion with the Board, this policy had been approved for the Manager and Commission Accountant.

Recommendation - The Board should periodically review the employee handbook to verify all policies are documented. Each employee should be given an updated version of the handbook to improve compliance with the stated policies.